



County of Chester
Office of the Controller
Internal Audit Department

Independent Auditor's Report
For the Years Ended
December 31, 2020 and 2019

County of Chester Prison Canteen Fund

Independent Auditor's Report

Margaret Reif, Controller

County of Chester
Prison Canteen Fund
Annual Financial Statement Audit
As of December 31, 2020 and 2019

Chester County Prison Board
Ronald Phillips, Warden
Chester County Prison
501 S. Wawaset Road
West Chester, PA 19382

County of Chester

Prison Canteen Fund

For the Years Ended December 31, 2020 and 2019

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Chester County Prison Board
Ronald Phillips, Warden
Chester County Prison
501 S. Wawaset Road
West Chester, PA 19382

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Prison Canteen Fund (*Canteen*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2020 and 2019, and the related statements of cash receipts, disbursements and cash balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to annually audit the account of the *Canteen* and to report the results of the audit to the Chester County Commissioners, Chester County Prison Board, and to Prison Administration.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the *Canteen* as of December 31, 2020 and 2019, and its cash receipts, disbursements and cash balances for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated June 8, 2022 on our evaluation of the *Canteen's* internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of our audit.



Margaret Reif
Controller

June 8, 2022

County of Chester

Prison Canteen Fund

Statements of Receipts, Disbursements
and Cash Balances – Cash Basis

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Receipts</u>		
Gross Canteen Sales	\$ 872,715	\$ 1,009,160
Gross Canteen Commissions (Note 3)	-	395,303
Telephone Commissions	63,831	87,130
Interest Income	15,677	26,978
Miscellaneous Income	2,980	30,601
	<hr/>	<hr/>
Total Receipts	955,203	1,549,172
<u>Disbursements</u>		
County General Fund	833,611	911,140
Postage	14,550	21,050
Miscellaneous Disbursements	3,033	17,197
Inmate Fund	405	127
	<hr/>	<hr/>
Total Disbursements	851,599	949,514
Cash Increase (Decrease)	103,604	599,658
Cash, Beginning of Year	3,936,806	3,337,148
	<hr/>	<hr/>
Cash, End of Year	<u>\$ 4,040,410</u>	<u>\$ 3,936,806</u>

The accompanying notes are an integral part of these financial statements.

County of Chester

Prison Canteen Fund

For the Years Ended December 31, 2020 and 2019

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Principles

Background and Reporting Entity

The *Canteen* consists of monies received from commissions on net canteen sales, telephone commissions, and miscellaneous income from car washes, visitor photos, postage sales, copies and interest earned on the Inmate Fund which is transferred to the *Canteen* account. The *Canteen* account reimburses the Inmate Fund account for any bank service charges, pays for postage advances and purchases items beneficial to the general inmate population.

The actual operating expenses of the *Canteen* are paid by the County of Chester. These costs include the salary and wages of office employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statements of Cash Receipts, Disbursements, and Cash Balances.

Basis of Accounting

The books and records of the *Canteen* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balance in accordance with generally accepted accounting principles.

Note 2 – Management Change

D. Edward McFadden served as Warden of the Prison for the period October 30, 2004 to September 12, 2020. Beginning September 12, 2020, Ronald M. Phillips has served as Warden of the Prison.

Note 3 – Commission Change

The 2019 Statement of Cash Receipts, Disbursements and Cash Balances (the “Statement”) includes \$1,009,160 of receipts for the transfer of funds from the Inmate Fund for all purchases made by inmates. In addition, the Statement includes \$395,303 in commissions on purchases received from the vendor that provided canteen services (“Service Provider”). As of September 20, 2019, the Service Provider was changed and a practice of billing for services net of commissions on purchases was implemented. For the period September 20, 2019 through December 31, 2019 and for the year 2020, \$111,022 and \$369,873, respectively, in commissions were netted against billings and are not included in the Statement. For all of 2019 and 2020, the Cash Disbursements of Canteen include reimbursements to the County of Chester for payments made to the canteen Service Provider in place.



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June 8, 2022

Chester County Prison Board
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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of the Prison Canteen Fund (*Canteen*) as of and for the years ended December 31, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the *Canteen's* internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Canteen's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Canteen's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Canteen's* financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

As part of obtaining reasonable assurance about whether the *Canteen's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

We noted matters that we reported to the Prison management in a separate letter dated June 8, 2022, regarding segregation of duties and recordkeeping.

This report is intended for the information of the Chester County Commissioners, the Chester County Prison Board and Prison Administration. This report is, however, a matter of public record, and its distribution is not limited.

Margaret Reif

Margaret Reif
Controller

County of Chester

Prison Canteen Fund

For the Years Ended December 31, 2020 and 2019

Summary of Exit Conference

An exit conference was not warranted for the audit of the Prison Canteen Fund. Warden Ronald Phillips has accepted the audit report and management letter as presented.